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UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON REGIONAL OFFICE  
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FALLS CHURCH, VIRGINIA 22046

DEC 18 1972

Mr. James Banks  
Executive Director  
National Capital Housing Authority  
1170 12th Street, N. W.  
Washington, D. C. 20430



Dear Mr. Banks:

As you may know, in September the General Accounting Office discontinued its survey of the operations of the National Capital Housing Authority because of the comprehensive management demonstration effort currently under way at the Authority. During our survey, which was primarily directed at the activities administered by the Division of Management, we made several observations including those regarding over-income tenants and re-certification of tenants' income which we previously called to your attention. We have summarized below additional observations in the hope that they may prove useful to those involved in the management demonstration effort. Since we visited only a few of the Authority's area offices and our work was generally limited, we have not formed an opinion on the overall extent of these additional observations.

- Requests for maintenance services need improved control to better assure that proper service is given to tenants. For example, at one site there were 43 requests for maintenance listed on the daily log, but only 16 work orders could be found. At another site there were 32 requests listed on the daily log and only 15 work orders could be found. Also, many work orders showed that work was incomplete, yet the maintenance supervisor informed us the work was done. When we discussed this with your staff, we were advised that, with the heavy work load, employees do not always have time to prepare the necessary paper work. We are aware of your efforts to improve the quality of maintenance provided to your tenants. A useful step would be to get a more realistic picture of what their actual needs may be. Improved work load status information would contribute to this objective.
- Sole-source procurements were made even though competition could have been obtained. Also, there was a lack of cost or pricing data supporting the reasonableness of the prices negotiated for sole-source procurements. You may want to stress the fact that it has been demonstrated that when competition is available, more favorable prices can result. We are enclosing copies of GAO reports on this matter that perhaps could help your procurement staff.

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- Funds authorized for modernization programs were used for regular operations. For example, as of March 31, 1972, a total of about \$4.8 million had been set aside for modernization programs and \$4.3 million had been expended for such programs. Although this left about \$500,000 unexpended, actual cash on hand amounted to only about \$230,000, indicating that modernization funds were used for operations. Your staff informed us that the unfavorable financial condition of the Authority necessitated using modernization funds for operations and that this was done with the knowledge of the Department of Housing and Urban Development (HUD). Whenever possible, approvals should be formally obtained before funds are used for purposes other than for those authorized.
- Overtime payments were made without proper advance authorizations. Although this had been brought to the attention of the Division of Management, the problem still persists. It may be useful to emphasize to responsible Division officials the importance of advance authorizations as an aid to assuring better control over the Authority's activities.
- Discrepancies were noted between employees' annual attendance records and time and attendance cards. Also, leave record information for 59 out of 90 employees checked was either incomplete or inconsistent with other personnel records. In some instances, the daily leave information was recorded on the annual attendance record, but the cumulative total of accrued leave was not kept. In other instances, no leave information was recorded on the annual attendance records. We were informed by your staff that some of the personnel responsible for the preparation of the records are inexperienced. You may wish to consider additional training for those involved in this function. We are enclosing a recently issued report on the District of Columbia's payroll operations which may be a useful review tool for your staff.
- Recommendations made by HUD and agreed to by the Authority were not systematically followed up. For example, recommendations made in HUD's November 1970 audit report regarding ways of reducing utility costs were generally concurred with. We were advised by your staff that although consideration was given to these recommendations, there is no summary which brings out the manner in which they were handled. You may want to consider having your staff periodically prepare a status report regarding actions taken on recommendations made by HUD and other review groups, including your internal auditor.

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--Less than half the work programs for extraordinary maintenance included in the 1972 budget were actually worked on, although a substantial number of other programs not originally budgeted were added during the year. We also noted wide disparities between amounts budgeted and expended for expense items such as fuel, insurance, and property betterments and additions. A member of your staff informed us that not all of the budget justifications are critically analyzed by management and, thus some of these items may not have been questioned in this budget development process. A critical review of budget proposals contributes to an efficient and effective operation and warrants management emphasis

--Modernization programs are substantially behind schedule and the resulting cost growth may preclude accomplishing work authorized under the original budget. For example, the program to rehabilitate 591 vandalized units was originally scheduled to be completed in June 1971, at a cost of about \$2,000 a unit. However, at the time our survey was discontinued, only about 40 percent of the units were rehabilitated and the average cost exceeded \$3,000 a unit. Memorandums prepared by your staff indicate the delays and cost growth were caused by:

--lack of qualified personnel,

--HUD's inordinate delays (5 to 12 months) in approving certain phases of the program,

--contractors' reluctance to bid on work because of concern over the Authority's ability to make payments in a timely manner,

--contractors who marked up their bids in anticipation of vandalism,

--conflicts between contractors and the Authority regarding responsibilities for the delays in deliveries of item, and

--inclement weather.

In addition to considering ways and means to minimize these problems, it may be useful to give greater consideration to them in future cost estimates so that adequate funds can be requested to meet program needs.

--The Authority's internal audit staff is comprised of one person whose primary responsibility is the audit of cash--an important function. Since management could benefit from a review of all activities, it should encourage the internal auditor to expand the scope of his coverage and over a period of time consider increasing the size of the audit staff.

In prior correspondence, we advised you that a substantial percentage of over-income tenants were delinquent in their rents, and that there was a high error rate in the computation of tenants' rent. In the case of over-income tenants, we were informed that leases will not be extended on those tenants who continue to be delinquent. In regard to the high error rate in rent computations, you informed us the Authority was in the process of developing a new review system so this situation can be avoided in the future. These actions are constructive and should help alleviate the problems in these areas.

We wish to acknowledge the courtesies and cooperation extended to our representative during the survey, and would appreciate any comments you may have on the matters discussed herein. We are prepared to provide you with further details regarding the matters discussed in this letter if you so desire.

Sincerely yours,

H. L. Krieger

H. L. Krieger  
Regional Manager

Enclosures

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